



January 2019

# VA REAL PROPERTY

## Clear Procedures and Improved Data Collection Could Facilitate Property Disposals

Accessible Version

# GAO Highlights

Highlights of [GAO-19-148](#), a report to congressional requesters

## Why GAO Did This Study

VA is one of the largest federal property-holding agencies, and its inventory of vacant buildings has generally increased over the last 6 years. Disposing of its excess properties has been a long-standing challenge.

GAO was asked to review how VA manages its real property disposals. This report addresses: (1) the challenges VA faces in disposing of its vacant properties and how it is addressing those challenges and (2) the extent to which VA is tracking and monitoring the disposal of its vacant properties.

GAO reviewed VA's policies and planning documents regarding property disposals. GAO also selected 31 properties that were either disposed of or planned for disposal in fiscal year 2017, among other selection criteria. GAO interviewed VA officials and stakeholders involved in the disposal of the 31 selected properties and familiar with VA's disposal process, including steps VA is taking to address challenges.

## What GAO Recommends

GAO is making three recommendations. These include developing disposal procedures for facilities' managers to help plan, implement, and execute disposal projects and collecting key information on the status of disposal projects, as VA implements its plans to increase the capacity of VA's Capital Asset Inventory. VA concurred with GAO's recommendations.

View [GAO-19-148](#). For more information, contact Andrew Von Ah at (202) 512-2834 or [vonaha@gao.gov](mailto:vonaha@gao.gov).

January 2019

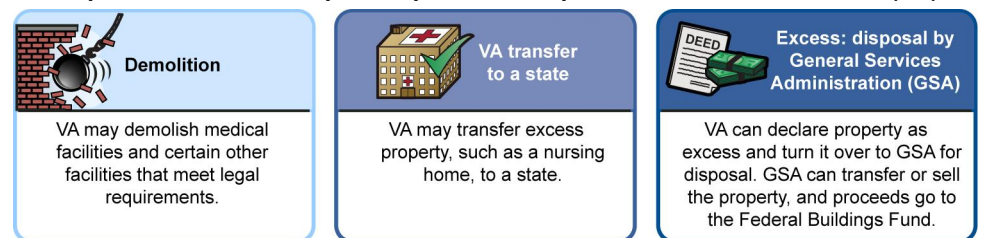
## VA REAL PROPERTY

### Clear Procedures and Improved Data Collection Could Facilitate Property Disposals

## What GAO Found

Conducting required environmental and historic reviews in a timely manner is among the challenges the Department of Veterans Affairs (VA) faces in its real property disposal process. These reviews include assessing the potential effects of property disposals on the environment and historic preservation. VA is taking steps to address these ongoing challenges. For example, VA has established a working group consisting of experts in historic preservation, environmental reviews, and real property to assist facilities' managers in expediting disposals. However, other ongoing challenges remain, including the marketability of VA properties and VA's lack of clear procedures for property disposals. While VA has guidance on disposals at the broad portfolio level, GAO determined that this guidance does not contain step-by-step procedures at the project level to assist facilities' managers to plan, implement, and execute disposals for the different disposal options. (See figure.) For example, a number of managers told GAO that they were not familiar with actions to take when transferring properties to a third party or turning over excess property to the General Services Administration for disposal. VA officials commented that facilities' managers do not frequently dispose of properties, so a procedural document outlining the steps and who is responsible for taking those steps may help staff navigate more complex disposal processes and avoid missteps and delays.

#### Description of Selected Disposal Options for Department of Veterans Affairs (VA)



Source: GAO analysis of VA documents. | GAO-19-148

VA has enhanced its data collection on vacant properties, but the agency does not collect information needed to track and monitor disposal projects at the headquarters level. For example, VA requires facilities' managers to verify and certify the validity of vacant property data in the database used to manage real property—the Capital Asset Inventory. On disposal projects, however, VA lacks certain information, such as the status of environmental or historical reviews, to monitor progress. According to VA, the Capital Asset Inventory currently does not have enough capacity to collect key information and supporting documentation. VA officials said they plan to increase the capacity, but VA has not yet included some key information in the Capital Asset Inventory that could enable VA to monitor the progress of disposals. Without information on the status of disposal projects, VA cannot readily track and monitor its progress and identify areas where facilities' managers may need additional assistance.

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#### Abbreviations

CAI	Capital Asset Inventory
GSA	General Services Administration
VA	Department of Veterans Affairs
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Networks

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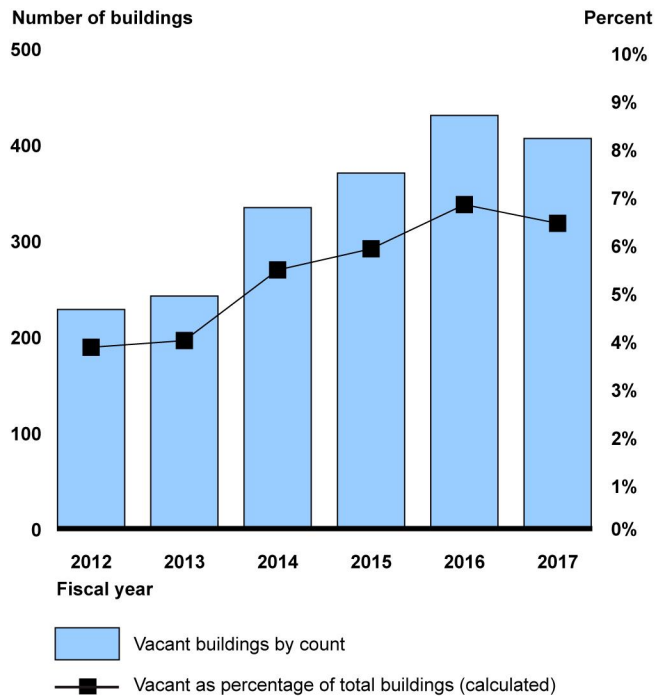
January 9, 2019

The Honorable Johnny Isakson  
Chairman  
The Honorable Jon Tester  
Ranking Member  
Committee on Veterans' Affairs  
United States Senate

The Honorable Jerry Moran  
United States Senate

The U.S. Department of Veterans Affairs (VA) is one of the largest federal real property-holding agencies, holding almost 6,300 buildings including medical centers, outpatient clinics, community living centers, and counseling centers. While most of these buildings are in use, VA has many buildings that are vacant. These vacant buildings are, on average, about 91 years old and can be costly to maintain. VA estimated spending about \$4 million in fiscal year 2017 to maintain these vacant buildings. Further, the number of VA's vacant buildings has generally increased over the last 6 years (see fig. 1).

**Figure 1: Number and Percentage of Vacant Department of Veterans Affairs' (VA) Buildings, Fiscal Years 2012 through 2017**



Source: GAO analysis of VA data. | GAO-19-148

Federal management of real property—including VA real property—has been on GAO's High Risk List since 2003 due to long-standing challenges, including difficulties in effectively disposing of excess and underutilized property.<sup>1</sup> In June 2017, VA announced an initiative to begin the process of re-using or disposing of 430 vacant buildings within 2 years to reduce the large number of vacant buildings and the cost to maintain them. Additionally, the VA Asset and Infrastructure Review Act of 2018 requires VA, through recommendations of an independent

<sup>1</sup>GAO's High Risk List also includes the Department of Defense's Support Infrastructure, which has been on it since 1997 due in part to continuing operation and maintenance of excess infrastructure.

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commission, to realign its real property.<sup>2</sup> As VA makes changes to realign its real property, these changes may lead to more unneeded buildings that VA may want to dispose of.

You asked us to examine how VA manages its real property disposals. This report addresses:

- the challenges VA faces disposing of its vacant properties and how it is addressing those challenges, and
- the extent to which VA is tracking and monitoring the disposal of its properties.

To identify challenges that VA faces when disposing of property and how VA is addressing them, we selected a non-generalizable sample of 31 properties and conducted semi-structured interviews with VA officials and external stakeholders who were involved in or knowledgeable about the disposal of those selected properties and are familiar with VA's disposal process. These external stakeholders included officials from the General Services Administration (GSA), veteran service organizations (e.g., Veterans of Foreign Wars and the American Legion), a local community that purchased VA properties, a major commercial real estate company, and historic preservation groups (e.g. Advisory Council on Historic Preservation and the National Conference of State Historic Preservation Officers). The 31 properties we selected were either disposed of in fiscal year 2017 or planning was underway for disposal, including disposals through GSA.<sup>3</sup> Specifically, we selected properties that (1) captured a range of disposal methods available to VA either planned or completed and (2) represented a variety of property characteristics, including historical status, age, and size. To examine the characteristics of VA's vacant and disposed of properties and to select the 31 properties, we obtained and analyzed data from VA's Capital Asset Inventory (CAI) for

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<sup>2</sup>Pub. L. No. 115-182, tit. II (2018). The Act established an independent commission to review and analyze VA's recommendations regarding the modernization or realignment of its medical facilities. VA is required to report its recommendations to the independent commission no later than January 31, 2022, and the independent commission is required to report on its findings and conclusion on VA's recommendations to the President no later than January 31, 2023.

<sup>3</sup>The 31 properties we selected included 14 completed disposals in fiscal year 2017, 13 properties planned to be disposed of through GSA in fiscal year 2017, and 4 properties planned for demolition in fiscal year 2017. VA can declare property as "excess" and dispose of it through GSA, as the federal government's real property disposal agent.

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fiscal years 2012 through 2017 and assessed the reliability of the data.<sup>4</sup> To assess the reliability of VA's data we:

- looked for obvious data errors;
- reviewed existing documentation on the data and VA's processes for checking and validating the data; and
- interviewed knowledgeable officials about the data.

We found the data were generally reliable for the purposes of our reporting objectives. To help identify disposal challenges VA faces, we obtained and reviewed documents related to the 31 selected properties and interviewed facilities' managers from VA's Veterans Integrated Service Networks (VISN) and local facilities who were knowledgeable about the disposal of these selected properties.<sup>5</sup> The challenges faced by these selected properties cannot be used to make inferences about all VA properties. However, they illustrate the range of challenges that VA faces in disposing of properties. To identify steps VA has taken to address challenges, we reviewed documents and interviewed officials from VA's Office of Asset Enterprise Management and Office of Construction and Facilities Management, which have some responsibilities for demolishing or transferring VA properties. We then assessed VA's efforts to address these challenges against applicable federal internal-control standards.<sup>6</sup>

To determine the extent to which VA is tracking and monitoring the disposal of its vacant properties, we reviewed the current data fields in VA's CAI, as well as planning and guidance documents, including the *Fiscal Year 2017 Capital Asset Inventory and Disposal Plans Update*.<sup>7</sup> We also interviewed VA officials in headquarters, including officials in

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<sup>4</sup>The Capital Asset Inventory (CAI) is VA's official source of real property data and is the basis for identifying service and infrastructure gaps used in the Strategic Capital Investment Planning process and VA's reporting to the government-wide Federal Real Property Profile database.

<sup>5</sup>VA's medical facilities are organized into 18 regional health care networks, also known as Veterans Integrated Service Networks (VISN). The VISNs' and local facilities' managers we interviewed represented 7 of VA's 18 VISNs and 10 local medical facilities—two of which we visited (Perry Point and Sepulveda) with planned disposals underway.

<sup>6</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

<sup>7</sup>Department of Veteran's Affairs, *Fiscal Year 2017 Capital Asset Inventory and Disposal Plans Update*, (Aug. 9, 2017).



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VA's Office of Asset Enterprise Management and Office of Construction and Facilities Management, to determine the extent to which VA is tracking and monitoring the disposal of its vacant properties. We obtained and reviewed a copy of VA's data discrepancy report for fiscal year 2016 that it uses to verify data and track and monitor vacant properties and disposals. We also reviewed VA's documents, including a tracking spreadsheet that VA is using to monitor the disposal of vacant properties. In addition, we interviewed VA officials, including VISNs' and local facilities' managers, to obtain their perspectives on VA's efforts to track and monitor disposals, specifically. We then assessed VA's efforts to track and monitor these disposals against applicable federal internal control standards.<sup>8</sup> Additional information on our scope and methodology can be found in appendix I.

We conducted our work from November 2017 to December 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

VA administers its services and programs through three distinct administrations—Veterans Health Administration (VHA), Veterans Benefits Administration, and the National Cemetery Administration. VHA is the largest property holder within VA and is responsible for overseeing health care delivery to enrolled veterans and managing all VA medical facilities. VHA's VISNs are responsible for overseeing medical facilities, and VA works with the VISNs and local medical facilities to manage its real property assets through VA's capital-planning process.

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## Responsibilities for Disposing of Properties

Various VA offices share responsibilities for managing and disposing of real properties. Specifically:

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<sup>8</sup>[GAO-14-704G](#).

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- **VISNs and local facilities** are responsible for identifying, planning, and managing underutilized and vacant properties, including executing demolitions of buildings.
  - **Office of Capital Asset Management, Engineering, and Support**, within VHA, is responsible for supporting the property disposal efforts of VISNs and local facilities, including providing funding for demolitions (if properties are part of a minor construction project or non-recurring maintenance project).<sup>9</sup>
  - **Office of Construction and Facilities Management**, within VA's Office of Acquisition, Logistics and Construction, is responsible for: (1) developing and updating policies and procedures on disposal actions (except enhanced-use leases)<sup>10</sup> and executing them; (2) coordinating the Steward B. McKinney Homeless Assistance Act's (McKinney-Vento Act) screening process<sup>11</sup> for potential homeless use prior to disposal; (3) overseeing implementation of required federal environmental reviews for planning and construction of major projects and real property actions; and (4) promulgating policy related to historic preservation, among other things.

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<sup>9</sup>VHA's Minor Construction program funds projects for enhancements or addition to medical facilities with costs at or below \$20 million. VHA's Non-Recurring Maintenance program funds non-recurring maintenance projects that renovate, repair, maintain, and modernize its existing infrastructure. Local facilities may request funding from these two programs to demolish a building to make space for enhancing or renovating a facility, for example.

<sup>10</sup>VA is authorized to execute enhanced-use leases, which are long-term agreements with public and private entities, such as public housing authorities and development corporations, for the use of federal property in exchange for cash at fair market value. 38 U.S.C. §§ 8161-8169. As part of the enhanced-use lease program, VA provides access to federal facilities and land to the lessee and developer; however, the lessee is responsible for financing, developing, constructing, rehabilitating, operating, and maintaining the properties, subject to the enhanced-use lease. VA officials told us that these properties are fully utilized during the term of the enhanced-use lease. Properties disposed of through enhanced-use leases remain in VA's real property inventory during the lease; thus, they are not considered disposals in the Federal Real Property Profile database, which contains data on federal real property assets worldwide, including information on disposals of federally owned buildings.

<sup>11</sup>The McKinney-Vento Act requires landholding federal agencies to identify and make available for homeless assistance real property under their control that they are not fully utilizing or no longer need before the property is disposed of through other means. Federal agencies must coordinate with the Department of Housing and Urban Development to determine suitability of vacant buildings for use by homeless assistance organizations.

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- **Office of Asset Enterprise Management (Asset Enterprise Office)**, within the VA's Office of Management, is responsible for: (1) ensuring local facility disposal requests align with VA policy; (2) reviewing real-property inventory data, including annual disposal plans; (3) monitoring completion of disposal projects; (4) executing enhanced-use lease-related disposals; and (5) overseeing the Strategic Capital Investment Planning process, among other responsibilities.<sup>12</sup>

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## VA's Disposal Process

According to VA's guidance on managing underutilized properties and disposals, the process for managing vacant properties usually begins with VISNs and local medical facilities.<sup>13</sup> Together, they are responsible for identifying underutilized real properties and updating this information in the CAI database, which VA uses to manage its real property.

VA has also identified and prioritized disposal options VISNs and local facilities have for determining what to do with vacant and underutilized properties they have identified. As shown in figure 2, VA's first priority is to re-use vacant and underutilized properties within the department. If properties cannot be re-used, then VA looks at disposal options that would remove them from its inventory. If no disposal options are feasible, then VA may choose to close or "mothball" properties.

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<sup>12</sup>The Strategic Capital Investment Planning process is VA's main mechanism for planning and prioritizing capital projects. The goal of the process is to: (1) identify VA's capital needs to address its service and infrastructure gaps, and (2) demonstrate that all capital project requests are centrally reviewed in an equitable and consistent way. This process is affected by VA's budget and how many VA projects are funded.

<sup>13</sup>Department of Veterans Affairs, *VA Handbook 7633: Managing Underutilized Real Property Assets, Including Options for Reuse and Disposal*, (Jan. 11, 2018) and *Fiscal Year 2017 Capital Asset Inventory and Disposal Plans Update*, (Aug. 9, 2017).

**Figure 2: Department of Veterans Affairs' (VA) Priorities for Re-use and Disposal of Vacant and Underutilized Properties**

Priority level		Key decision factors	
1	<b>Reuse underutilized and vacant property:</b> VA can rehabilitate property for use within VA.	VA first considers the property for re-use within VA then may evaluate it for housing for homeless veterans and families through enhanced-use lease agreements.	If unsuitable for homeless housing, VA can evaluate property for other re-use options.
2	<b>Remove property from inventory:</b> If a property cannot be re-used, VA can remove from inventory using a disposal option, such as demolition or transfer to a state for nursing home use.	VA considers whether it needs the underlying land before selecting a disposal option.	If the land is needed, VA can slate the property for demolition. If not, then all disposal options are evaluated.
3	<b>Make the property inactive:</b> If a property can't be re-used or removed from inventory, VA can close and "mothball" the property.	VA considers the operating costs of the property.	If VA maintains the inactive property, other disposal options, such as re-use or demolition, may be evaluated at a later time.

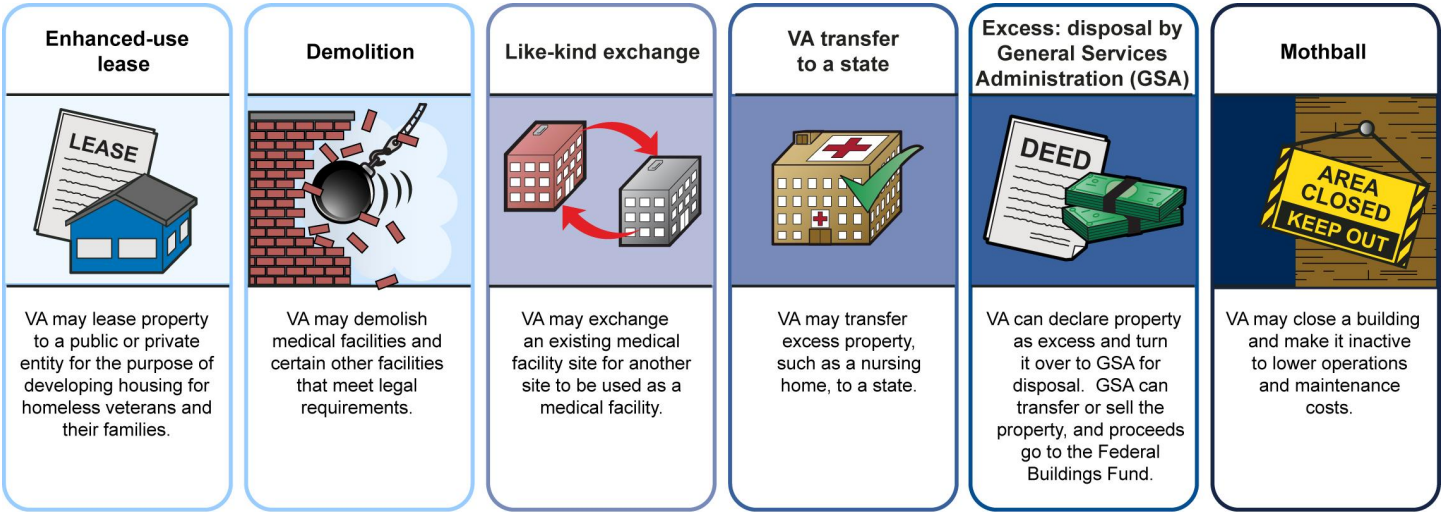
Source: GAO analysis of a VA document. | GAO-19-148

Properties in the CAI database with utilization rates that are less than 50 percent—including vacant properties—are candidates for disposal, and VISNs' and local facilities' managers are required to develop a disposal plan for all vacant buildings or update an existing plan for these facilities each year.

VA may choose from several options to dispose of vacant and underutilized properties, including: entering into an enhanced-use lease, demolition,<sup>14</sup> like-kind exchange, transfer of real properties to the state for nursing home use, declaring excess property for disposals through GSA, or mothball, among others. (See fig. 3.) The disposal process differs depending on the disposal method selected.

<sup>14</sup>VA is authorized to demolish an existing medical facility and use its site to construct a new medical facility or exchange an existing facility for a different site upon which VA may construct a new medical facility. 38 U.S.C. § 8103(b). Additionally, VA can also demolish other facilities that have no commercial value or the estimated cost of maintaining the facility exceeds the estimated proceeds of sale. 41 C.F.R. § 102-75.990. VA considers demolition as a disposal method and removes demolished buildings from its inventory. In these cases, VA may demolish a building and retain the underlying land as asset for constructing another building. For our purpose in our report, we consider demolition as a disposal.

Figure 3: Description of Selected Disposal Options for Department of Veterans Affairs (VA)



Source: GAO analysis of VA documents. | GAO-19-148

As part of the disposal process, VA is required to take certain actions, including conducting environmental reviews and considering the effects of its actions on historic properties. Accordingly, VA conducts “due diligence” reviews<sup>15</sup> on vacant properties, and these reviews include complying with selected federal requirements described in table 1 below.

<sup>15</sup>According to *VA Directive 4085 Capital Asset Management*, VA defines “due diligence” reviews to cover a wide range of issues (e.g., checklists for environmental requirements, assessments, liabilities, and property entitlements or encumbrances) that affects capital asset management decisions. VA officials told us that they include federal compliance reviews, such as environmental and historic reviews as “due diligence” reviews, and use due diligence information to ensure compliance with statutory requirements associated with disposals. We use the term “due diligence reviews” throughout this report to refer to VA’s actions to ensure compliance with requirements associated with disposals.

**Table 1: Description of Selected Federal Requirements Related to the Department of Veterans Affairs' (VA) Disposal of Properties**

Federal laws	Requirements
National Historic Preservation Act of 1966 <sup>a</sup>	<p>VA must:</p> <ul style="list-style-type: none"> <li>manage historic properties and take into account the effects of its actions on them and seek ways to avoid, minimize, or mitigate adverse effects; and</li> <li>consult with the Advisory Council on Historic Properties and stakeholders, such as state and tribal historic preservation officers before undertaking actions—such as demolitions, sales, or construction—that may affect a historic property listed or eligible for listing on the National Register. Historic properties have different designations which may require different preservation considerations, documentations, and mitigation efforts.</li> </ul>
National Environmental Policy Act of 1969	<p>VA must:</p> <ul style="list-style-type: none"> <li>take into consideration and evaluate the potential environmental effects of actions, such as demolishing a building, it proposes to carry out on VA-held properties before finalizing the particular proposal, and if required, prepare an analysis of the project's effects on the environment; and</li> <li>identify impacts associated with both reporting the property as excess and disposal of the property.</li> </ul>
Comprehensive Environmental Response, Compensation, and Liability Act of 1980	<p>VA must clean up contaminated federal property prior to transferring the property out of federal ownership, unless assurances are provided that the cleanup will be carried out subsequent to transfer and certain conditions are satisfied.</p>

Source: GAO analysis of federal requirements. | GAO-19-148

Note: When disposing of unneeded properties, VA must comply with a number of additional federal laws and regulations. For example, the Steward B. McKinney Homeless Assistance Act (McKinney-Vento Act), as amended, requires VA to coordinate with the Department of Housing and Urban Development to report unneeded property for screening and determination on the suitability of property for use by homeless assistance groups. 42 U.S.C. § 11411.

<sup>a</sup>Each VA program office is responsible for complying with the National Historic Preservation Act, according to VA Directive 7545.

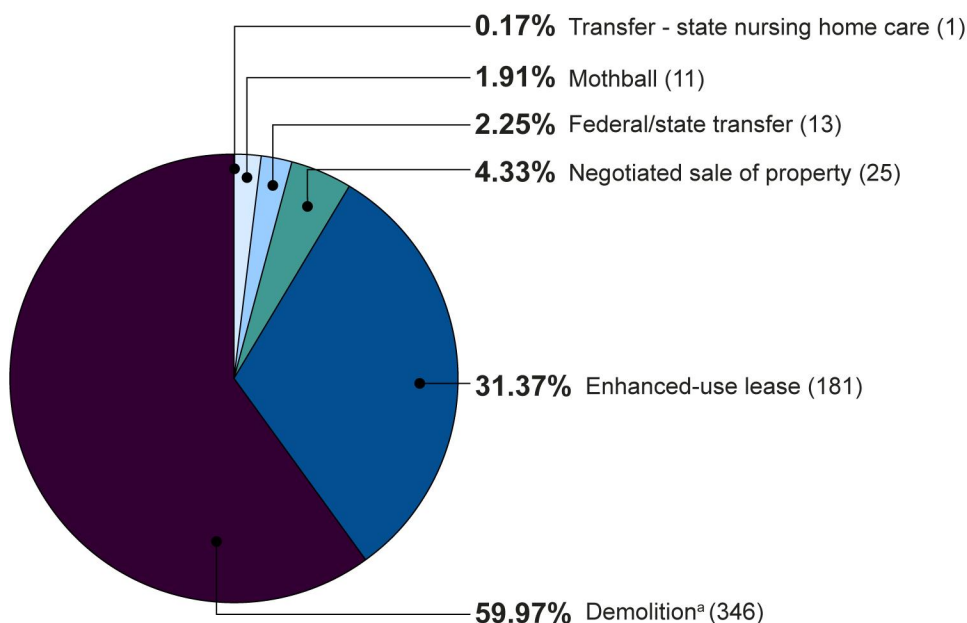
## Number and Characteristics of Disposals

From fiscal years 2012 through 2017, VA disposed of 577 properties (including 471 buildings with about 5-million gross square feet), primarily through demolition of medical facilities and enhanced-use lease agreements (see fig. 4).<sup>16</sup> These two methods accounted for the disposal

<sup>16</sup>This included both National Cemetery Administration and VHA buildings, structures, and “other” properties, such as sewage systems, underground storage tanks, and land as part of leases. As previously mentioned, VA is authorized to demolish an existing medical facility and use its site to construct a new medical facility or exchange an existing facility for a different site upon which VA may construct a new medical facility. 38 U.S.C. § 8103(b). Additionally, VA can demolish other facilities that have no commercial value or the estimated cost of maintaining the facility exceeds the estimated proceeds of sale. 41 C.F.R. § 102-75.990.

of 3.6-million gross square feet of building space. VA used other disposal methods, such as transferring property to states for nursing home care or negotiating a sale, for the remaining 50 properties, as shown in figure 4 below. As of July 2018, VA reported initiating the disposal or re-use of 167 of the 430 vacant buildings the Secretary identified for disposal in June 2017.<sup>17</sup>

**Figure 4: Extent to Which the Department of Veterans Affairs (VA) Used Various Disposal Methods from Fiscal Years 2012 through 2017**



Source: GAO analysis of VA data. | GAO-19-148

Note: VA maintains different definitions of disposal methods in its Capital Asset Inventory database due to how it is reported to the Federal Real Property Profile. We previously reported that federal agencies, including VA, often interpret Federal Real Property Profile guidance based on the agency's mission and real property portfolio and can have different definitions for disposal method data. (GAO, *Improving Data Transparency and Expanding the National Strategy Could Help Address Long-standing Challenges*, GAO 16-275 (Washington, D.C.: Mar. 31, 2016).

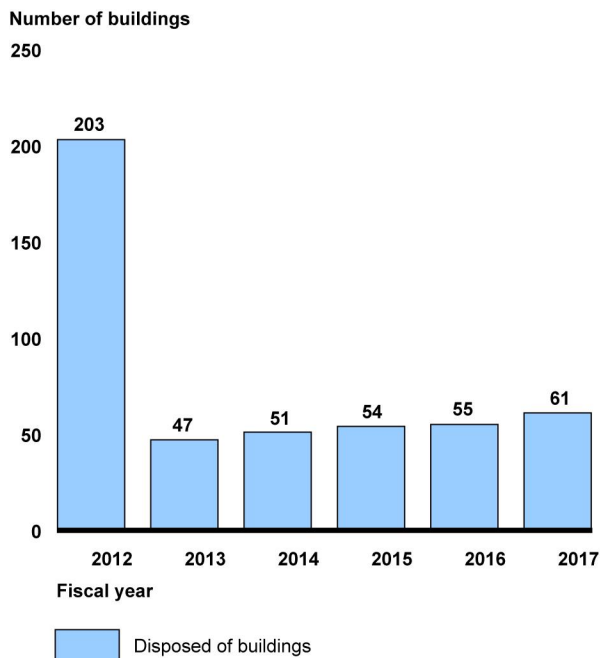
<sup>a</sup>VA is authorized to demolish an existing medical facility and use its site to construct a new medical facility or exchange an existing facility for a different site upon which VA may construct a new medical facility. 38 U.S.C. § 8103(b). Additionally, VA can also demolish other facilities that have no commercial value or the estimated cost of maintaining the facility exceeds the estimated proceeds of

<sup>17</sup>In June 2017, the Secretary of VA announced an initiative to begin the re-use or disposal process for 430 buildings that were identified as vacant at the end of fiscal year 2016. This initiative set a 2-year time frame for VA to begin the disposal or re-use of the 430 vacant buildings by June 2019.

sale. 41 C.F.R. § 102-75.990. VA also tracks deconstruction of buildings—salvaging building materials for re-use or recycling purposes to reduce the amount of waste. The number of demolitions in the figure above includes the number of deconstructed properties in each fiscal year.

Of the 471 building disposals from fiscal years 2012 through 2017, VA disposed of 203 buildings in fiscal year 2012 alone in contrast to 61 building disposals in fiscal year 2017, as shown in figure 5. A VA official attributed the decline in disposals from fiscal year 2012 to fiscal year 2013 to limitations placed on VA's enhanced-use lease authority in 2012.<sup>18</sup>

**Figure 5: Number of Buildings the Department of Veterans Affairs (VA) Disposed of from Fiscal Years 2012 through 2017**



Source: GAO analysis of VA data. | GAO-19-148

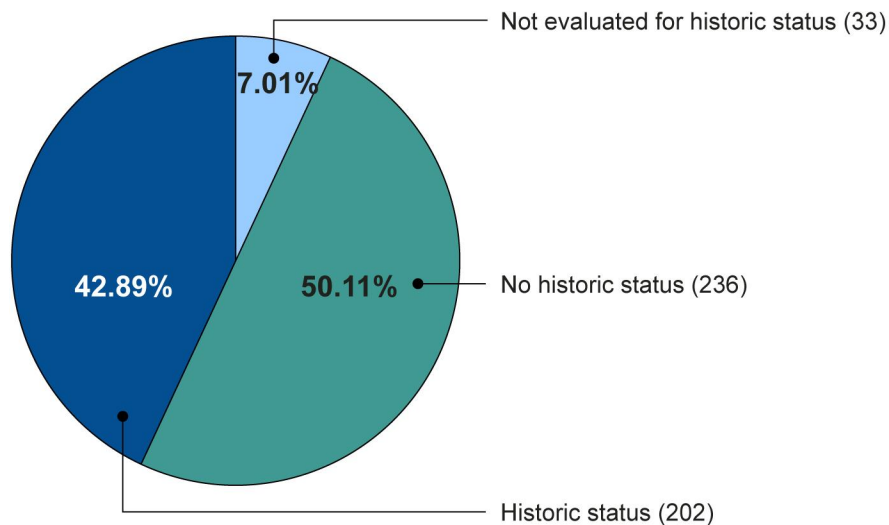
The characteristics of the 471 buildings VA disposed of varied from fiscal years 2012 through 2017. The majority (331 out of 471) was offices,

<sup>18</sup>Prior to December 2011, VA had authority to enter into enhanced-use lease authority with public or private companies for any use that contributed to VA's mission. This authority expired, and in 2012, VA's enhanced-use leasing authority was authorized to allow leasing for supportive housing for veterans and their families. 38 U.S.C. §§ 8161-8169. VA's Office of Inspector General had previously found problems with VA's oversight, and monitoring of its enhanced-use lease authority. (*Department of Veterans Affairs: Audit of the Enhanced-Use Lease Program*, (11-00002-74), Feb. 29, 2012).



housing quarters, service buildings, and warehouses; other buildings included hospitals, laboratories, and outpatient healthcare facilities. VA reported many of these buildings as historic, as shown in figure 6.<sup>19</sup> More than a third of the vacant buildings designated as non-historic were demolished. Almost a third of the buildings—primarily housing quarters—were disposed of using enhanced-use leases.

**Figure 6: Number and Percentage of Department of Veterans Affairs' (VA) Building Disposals with Historic Status from Fiscal Years 2012 through 2017**



Source: GAO analysis of VA data. | GAO-19-148

<sup>19</sup>VA considers historic properties as those listed, or eligible to be listed, on the National Register of Historic Places or designated as national historic landmarks.

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## VA Is Addressing Some of Its Ongoing Disposal Challenges but Lacks Procedures to Manage Property Disposals

VA officials and stakeholders we spoke with said that administering both environmental and historic reviews are key challenges for disposals. Two other ongoing challenges—the marketability of VA properties and prioritizing funding for disposals—were also mentioned as factors impeding VA’s property disposal efforts. As part of VA’s initiative to begin the re-use or disposal process for 430 vacant properties within 2 years, VA has begun addressing its environmental and historic review challenges. For example, VA established a working group to assist VISNs’ and local facilities’ managers in conducting these reviews. While VA is addressing challenges related to these reviews, limited interest in purchasing or leasing VA properties and competition for funding with other important VA projects directly related to veterans’ care are ongoing challenges that continue to hinder disposal efforts.

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## VA is Taking Steps to Facilitate Environmental and Historic Reviews, but Properties’ Marketability and Competing Priorities Remain Challenging

VA officials and stakeholders we spoke with cited the time it takes to complete the required environmental and historic reviews as a challenge in managing the disposal process. Although VA does not maintain data on how long these reviews can take or how long it takes to dispose of its properties, in our review of 31 selected properties, we found variation in the timespan to conduct environmental and historic reviews.<sup>20</sup> The environmental reviews of these properties took about 2 years on average to complete, depending on the condition of the property.<sup>21</sup> For example,

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<sup>20</sup>Two properties did not need an environmental review, while some environmental-review information was not available on three properties. In addition, three properties were not historic and did not require a historic review.

<sup>21</sup>The start and end dates of the environmental reviews were either from selected properties’ environmental review reports or interviews with VA officials if no documents were available. Dates that were not available were not included in our calculation of the time frame for conducting environmental reviews.

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## Environmental and Historic Reviews

an environmental review of temporary storage facilities in Biloxi took about a year, as no environmental issues were identified. In another case, it took about 2 years to conduct an environmental review of VA's Cincinnati-Fort Thomas property, as asbestos and lead paint were identified during the course of the review. For those disposals requiring historic reviews, we found that it took about 5 years on average, depending on the complexity of the disposal.<sup>22</sup> For example, it took 5 years to complete a historic review of the St. Louis, Jefferson Barracks property due to the need to collaborate with multiple stakeholders, including the neighboring Army National Guard base, the state's historic preservation office, local community council, community organizations, and many veteran service organizations; and addressing the adverse effects on historic properties, according to VA officials. VA officials and stakeholders we spoke with stated that due to lack of staff expertise and resources, VISNs' and local facilities' managers may choose to contract out these reviews, but procuring contractors may also add time to the disposal process, as facility managers need to define the terms of work and identify contractors.

Further, environmental and historic reviews can affect VA's decision-making process with regard to choosing a disposal method, potentially lengthening the time it takes for disposal. For example, VA officials told us that they began a historic review on the Pittsburgh-Highland Drive property in 2012 but discontinued the review in 2013, partially due to disagreements with historic preservation stakeholders about the proposed demolition of some historic buildings. After 4 years, in 2017, VA decided to declare the property as excess and turn it over to GSA for disposal. According to VA officials, this required a different historic review, as it

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<sup>22</sup>The National Historic Preservation Act requires VA to consult interested parties, including state and tribal historic preservation officers, on the effects of the undertaking on historic properties. Agencies are required to take into account the effects of an undertaking on historic properties and seek ways to avoid, minimize, or mitigate any adverse effects. 54 U.S.C. § 306108; 36 C.F.R. § 800.6. The start dates of the historic reviews were based on the start date of the initial notification letter sent to State Historic Preservation Offices or interviews with VA officials. The end dates of the historic reviews were dates collected from a signed memorandum of agreement between State Historic Preservation Offices and VA or from interviews with VA staff. If no dates were available, then we did not include them in our review of the time frame for conducting historic reviews. VA officials also told us that disposal projects without adverse effects can move forward much more quickly.

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entailed a different disposal method. GSA is currently administering the additional historic review of this property.

VA has begun taking actions to reduce the time it takes to conduct environmental and historic reviews as part of VA's initiative to begin the process of re-using or disposing of 430 vacant buildings within 2 years. For example, VA worked with the Advisory Council on Historic Preservation to obtain a program comment alternative<sup>23</sup> to reduce time spent with historic preservation stakeholders when consulting on "ancillary utilitarian support buildings and structures," such as a boiler plant or a sewage plant. VA officials also told us that they established a headquarters-level working group consisting of experts in historic preservation and environmental reviews as well as real property transactions to assist VISNs' and local facilities' managers in administering disposals, including conducting these reviews, and in moving them forward. VA officials also told us that they awarded four regional contracts with contractors to complete the environmental and historic reviews and expedite the disposal process.

VA officials and historic preservation stakeholders we spoke with also said they can have disagreements on how to meet the historic review requirements, and such disputes can add time to the review process. The historic preservation stakeholders commented that VA does not consult with them early in the disposal's decision-making process and does not provide adequate information on the adverse effects of demolishing a historic property as well as other potential methods through which VA could dispose of a property. VA officials we spoke with stated that they have been consulting with historic preservation stakeholders on all disposal projects as required.

To improve collaboration and communication between VA and external stakeholders, VA developed a toolkit in June 2017 on how to effectively communicate with stakeholders. This communications toolkit responded to our recommendation for VA to develop and distribute guidance for

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<sup>23</sup>Federal agencies may request the Advisory Council on Historic Preservation to comment on a category of undertakings, such as property disposals, in lieu of conducting historic reviews of individual property. 36 C.F.R. § 800.14(e) A program comment alternative enables agencies to comply with historic review requirements at a program-level, rather than at an individual project-level and to process certain undertakings following an expedited process. On Oct. 26, 2018, the Advisory Council on Historic Preservation issued a program comment that sets forth the way in which VA can comply with historic reviews.

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VISNs' and local facilities' managers to use when communicating with stakeholders on facility alignment changes, and we subsequently closed this recommendation.<sup>24</sup>

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<sup>24</sup>GAO, *VA Real Property: VA Should Improve Its Efforts to Align Facilities with Veterans' Needs*, [GAO-17-349](#) (Washington, D.C.: Apr. 5, 2017).

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### Competing Priorities

VA officials and stakeholders we spoke with also pointed out that competing priorities for VA funds is another remaining challenge. VA officials stated that projects to demolish buildings compete for funding with other capital projects, such as renovating inpatient units. Since VA's mission is to provide health care services, demolishing buildings is not as high a priority compared to other projects that may lead to providing better health care services.

VA officials also told us that competing priorities can affect how long it takes to dispose of vacant properties. If a demolition project is part of a construction project, then VA may give it a relatively high priority for funding. For example, at VA's Dayton campus it took about a year from when VA requested funding in 2016 to demolish two historic buildings in 2017. A VA official said that due to a \$1 million donation to build a Fisher House on VA's Dayton campus, funds were prioritized to demolish two national historic landmark buildings to make space available for construction of the Fisher House.<sup>25</sup> However, according to other VA officials, demolition projects in and of themselves do not rank well for funding; such rankings can affect the time it takes for disposal.

For example, a VA official said that VA had initially planned to demolish a temporary building on the Cleveland Wade Park campus sometime during the 2012-to-2013 time frame; however, VA did not demolish the temporary building until 2017, in part due to the longer than expected time it took for VA to allocate funds to this project. If funds are not available for demolition, a building can remain vacant for many years. For example, VA closed several properties on its Sepulveda Ambulatory Care Center campus in North Hills, CA, after they sustained major damage from the 1994 Northridge earthquake. According to VA officials, competing funding priorities, among other factors, contributed to the long wait to demolish these vacant properties, which had not been disposed of as of October 2018 (see fig. 7). VA officials also noted that waiting for VA to allocate funds to demolish properties can result in additional potential cost later on. For instance, VA officials mentioned that since buildings on the Sepulveda campus have been vacant for many years, they now qualified

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<sup>25</sup>The Fisher House Foundation builds homes as temporary residency for veterans' families while veterans are receiving inpatient care in the hospitals. Located on military and VA campuses, a Fisher House provides free-of-charge housing for families of hospitalized veterans and military service members.

for historic status, requiring them to undergo a historic review—a requirement that could have been avoided if VA had demolished them more than 20 years ago when they were originally identified for disposal.

**Figure 7: Examples of a Deteriorating Vacant Building Waiting for VA to Allocate Funding for Demolition**



Exterior and interior condition of a vacant building at the Department of Veterans Affairs' (VA) Sepulveda Ambulatory Care Center, North Hills, CA

Source: GAO. | GAO-19-148

### Marketability of VA Properties and Interest in Them

VA officials and stakeholders we spoke with identified property characteristics that affect the marketability of VA properties—historic status, deficient physical conditions, location, unusable building configuration, and repair costs—as barriers for disposal. This is a long-standing challenge that limits VA's ability to re-use or dispose of vacant and underutilized properties.<sup>26</sup> In our recent analysis of VA's CAI data, we found that a majority of VA's vacant properties (about 78 percent) from fiscal years 2012 through 2017 have an historic status, and the average age of those vacant properties is about 91 years old. As discussed earlier, historic reviews can be lengthy and can make the disposal process challenging, according to VA officials. Also, older buildings are likely to have configurations that are difficult to use or are in need of significant repair.

<sup>26</sup>See GAO, *Federal Real Property: Progress Made in Reducing Unneeded Property, but VA Needs Better Information to Make Further Reductions*, [GAO-08-939](#) (Washington, D.C.: Sept. 10, 2008) and GAO, *Federal Real Property: Vacant and Underutilized Properties at GSA, VA, and USPS*, [GAO-03-747](#) (Washington, D.C.: Aug. 19, 2003).

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VA officials and stakeholders said that the location of VA properties limits disposal options. For example, a VA official told us that demolition is sometimes the only disposal option available when a deficient building is located on an existing VA campus and cannot be re-used or disposed of and removed from VA's inventory.<sup>27</sup> VA officials also stated that historic buildings are frequently located in the middle of a campus and sometimes cannot be easily demolished due to the historic designation (see fig. 8).<sup>28</sup> In these cases, VA will close and "mothball" the building to minimize maintenance and operations costs and let the buildings sit vacant as an interim measure. VA officials commented that there are also safety and security challenges associated with disposing of or re-using a building located in the middle of a VA campus. For example, a local facility manager told us that when two of its buildings on campus were leased out to an organization on a short-term lease for use as dormitories, young adults from the dormitories gained access to private inpatient areas, violating patients' privacy. This is consistent with our previous findings that many disposable VA properties located in the middle of medical campuses draw limited private sector interest making some disposal options challenging.<sup>29</sup>

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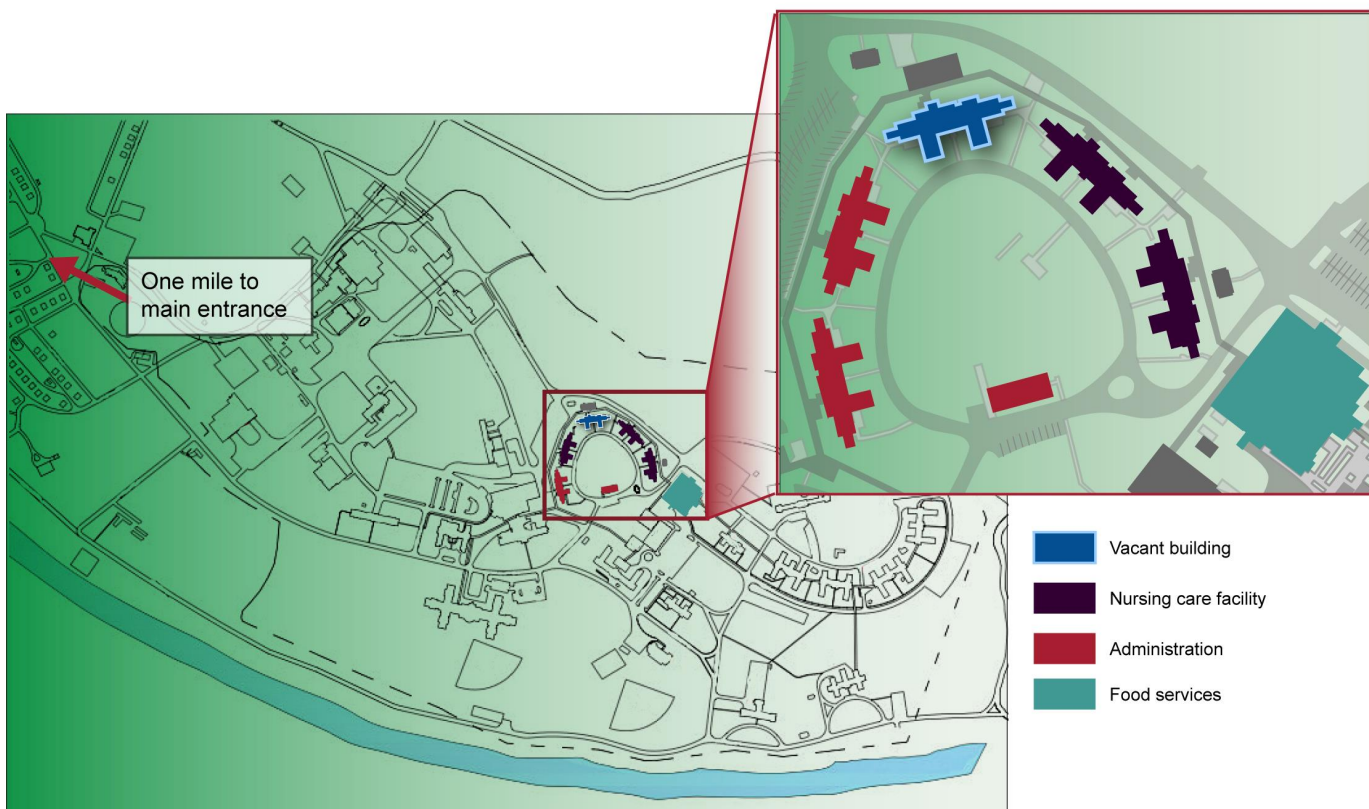
<sup>27</sup>VA's buildings are generally located on medical complexes in campus-like settings that include various medical buildings, such as hospitals, medical centers, and nursing homes. They may also include structures that support the medical buildings, such as parking garages and storage buildings.

<sup>28</sup>VA officials informed us that while VA is not prohibited from demolishing historic buildings, it is generally not a preferred option because of stakeholder interest in preserving historic properties.

<sup>29</sup>We previously found that the location of the property is one of the underlying causes for the long-standing challenges with disposing of properties and recommended expanding the *National Strategy for the Efficient Use of Real Property* to further address these long-standing challenges by articulating planned actions and identifying alternative approaches to address underlying causes of the real property problems. This recommendation has not yet been implemented. GAO, *Federal Real Property, Improving Data Transparency and Expanding the National Strategy Could Help Address Long-standing Challenges*, [GAO-16-275](#) (Washington, D.C.: Mar. 31, 2016).



**Figure 8: Example of a Vacant and Historic Building Located in the Middle of a Department of Veterans Affairs' (VA) Medical Campus in Perry Point, MD**



Source: GAO analysis of VA documents. | GAO-19-148

VA officials and stakeholders we spoke with—including commercial real estate experts—also indicated that it can be difficult to attract developers for several reasons. In one instance, a VA official and a stakeholder we spoke with told us that it took multiple years to identify developers that would take on environmental mitigation efforts as part of the negotiated sale and transfer of VA's properties to the City of Fort Thomas, Kentucky. According to a stakeholder, developers were not willing to take on the cost and risk of environmental mitigation without a title to the property and no guaranteed income from the property. VA, however, could not transfer the property title to a third party without first meeting federal standards for

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cleaning up the environmental hazards on the properties.<sup>30</sup> While the issue was ultimately addressed, it took several years to complete the deal.<sup>31</sup>

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## VA Lacks Clear Procedures to Manage Property Disposals

Another challenge that VA officials and stakeholders raised was VA's lack of clear disposal procedures. Several VA officials and stakeholders we spoke with stated that it is unclear

- what specific steps need to be taken for disposals,
- what are the targeted time frames for completing those steps, and
- who is responsible for completing them.

VA's guidance on managing underutilized properties and disposals provides policies and procedures on a portfolio level, such as VA's priorities for disposing of vacant properties and the different disposal options available.<sup>32</sup> However, VA's guidance does not specify sequential steps and actions that need to be taken at the project level to plan, implement, and execute property disposals for VISNs' and local facilities' managers.<sup>33</sup> Further, a VA official in headquarters told us that VA does not have formal guidance on selecting any particular disposal methods.

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<sup>30</sup>Under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the VA must clean up contaminated federal property prior to transferring the property out of federal ownership, unless assurances are provided that the cleanup will be carried out subsequent to transfer and certain conditions are satisfied.

<sup>31</sup>To address this issue, a stakeholder told us that the VA and the City of Fort Thomas negotiated an agreement that defined the environmental clean-up work needed and its associated cost to meet federal environmental standards; all parties involved agreed on the negotiated conditions and set up an escrow account to pay for the cost of environmental mitigation and repairs. A VA official and stakeholder commented that this escrow account enabled the City to assume responsibilities for the environmental clean-up, with the developer cleaning up the property and rehabilitating it to eventually own it.

<sup>32</sup>Department of Veterans Affairs, *VA Handbook 7633: Managing Underutilized Real Property Assets, Including Options for Reuse and Disposal* (Jan. 11, 2018).

<sup>33</sup>We refer to portfolio level procedures in relation to managing VA's broad collection of real property and project level procedures in relation to managing individual disposal projects. For example, the disposal of specific properties, such as the disposal of two buildings in VA's Dayton's campus, would be at the project level.

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While we found that documentation on policies and procedures exists for some specific disposal methods, such as enhanced-use lease projects, VA officials told us that policies and procedures for other disposal actions, such as transferring or declaring property as excess and disposing of it through GSA, are not documented. A VA official in headquarters told us that informal guidance may exist in some VISNs, but no standardized procedures on managing a disposal project is available. VA officials said there are no step-by-step procedures to refer to when using a disposal options more complex than demolishing a building. A VISN facilities' manager we spoke with further pointed out that a decision-tree to help plan, implement, and execute for the different disposal methods does not exist to help local facilities navigate through VA's decentralized and complex disposal process.

VA officials told us that its disposal process is decentralized, an approach that can contribute to unclear procedures for disposal projects. According to VA officials, VISNs' and local facilities' managers are responsible for making disposal decisions, developing a disposal plan, and executing the disposal. As previously discussed, different VA program offices are responsible for different disposal actions, depending on the disposal method that VISNs' and local facilities' managers are considering. VA officials noted that this decentralized approach to managing disposals can make it difficult for VISNs' and local facilities' managers as well as local stakeholders to know when or how best to coordinate with the appropriate VA offices. A real property stakeholder we spoke with also noted that common uncertainties in working with VA, such as its lack of a clear and timely disposal process, can hinder developers' interests in VA properties. Specifically, the stakeholder stated that VA's decision-making process is divided among different entities within VA, a situation that may add time to the disposal process, and stated that having a clear and timely disposal process may provide a level of certainty for developers.

VA officials and stakeholders also said that in some cases, VISNs' and local facilities' managers may lack the knowledge and experience to manage disposals. For example, VA officials told us that while facility managers generally know what actions are needed to demolish properties, they are not familiar with actions that need to be taken for transferring or selling properties to a third party or turning excess property over to GSA for disposal. VA officials also mentioned staff turnover and the infrequency of disposals as contributing factors to staff's lack of knowledge on procedures for disposing of properties. For example, two facilities' managers we spoke with said that in their many years of working for VA they have never reported a property as excess and disposed of it

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through GSA, until recently. VA officials and stakeholders further noted that VISNs' and local facilities' managers may lack expertise conducting historic and environmental reviews as they are usually engineers, who are not experts on environmental and historic issues. For example, a VISN facility manager informed us that a local facility manager was not familiar with administering an environmental review, a lack that led to a misstep in the review and duplication of work and added time to the disposal process.

While VA has policies and guidance on historic and environmental reviews, our review of these documents showed that they do not provide guidance on

- how to make decisions,
- what actions to take,
- what are the targeted time frames for taking those actions, and
- who should be completing those actions.

Further, while VA officials with experience in disposals may estimate how long these reviews can take, VA does not have documented guidance on estimated time frames (milestones) for taking those actions.

Federal internal controls call for documentation to help management oversee execution of procedures by establishing and communicating the “who, what, when, where, and why” to personnel.<sup>34</sup> Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel and a means to communicate that knowledge as needed to external parties, such as external auditors or interested third parties. Federal internal controls also call for management to define objectives in specific terms—in this case, disposal actions—so they are understood at all levels of the entity. This understanding involves clearly defining what is to be achieved, who is to achieve it, how it will be achieved, and the estimated time frames for achievement. Without procedural documentation that describes the disposal options and the actions needed to carry out the disposal, including estimated time frames, it is difficult for VISNs' and local facilities' managers to plan, implement, and execute the different disposal options available and efficiently dispose of vacant properties.

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<sup>34</sup>[GAO-14-704G](#).

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A procedural document at the project level may include information on who is authorized to make decisions and include estimated time frames around historic and environmental reviews to ensure timely and appropriate disposal of VA properties. For example, VA officials with experience in disposals estimated that it should take about 6-to-8 months for a property disposal, if there are no environmental and historic issues involved and funding is available. For disposals where environmental and historic reviews are needed, those officials told us it should take about 2-to-4 years from when VA decided to dispose of a property to complete the disposal. According to facilities managers we spoke to, additional procedural documentation at the project level could help VISNs' and local facilities' managers navigate through the complex disposal process and avoid missteps or delays in the disposal of vacant properties.

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## VA Enhanced Its Collection of Data on Vacant Properties but Lacks Key Information to Track and Monitor Disposals

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### VA Has Taken Steps to Enhance How It Collects Data on Vacant Properties

To enhance the monitoring of its real property and to meet reporting requirements, VA officials told us VA has taken steps in the last 6 years to improve its real property inventory and the data it collects on its vacant properties, including properties VA has identified for disposal.<sup>35</sup> These steps include:

- **Requiring VISNs' and local facilities' managers to verify and certify the accuracy of the information in the CAI.** VA's Asset Enterprise Office sends out an annual call for facility managers to verify and certify the validity of vacant property data for each of the facilities.
- **Requiring VISNs' and local facilities' managers to make ongoing updates to the CAI database.** VA's annual data-call memo requires

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<sup>35</sup>As previously noted, the Federal Real Property Profile contains data on federal real property assets worldwide, including information on disposals of federally owned buildings. Agencies are required to report certain information for publication in the Federal Real Property Profile. They report, among other things, how and when buildings were disposed of and, if applicable, proceeds generated from the disposal.

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these managers to continuously update the data as they take actions. Facility managers we spoke to stated they update this information regularly, including when actively planning disposal projects and individual projects are complete. One facility manager told us that VA's Asset Enterprise Office is "actively pushing" local managers to update this information, and the data in the CAI have improved as a result.

- **Generating "discrepancy reports" to identify problems with inaccurate or outdated property data in the CAI.** VA officials in headquarters told us that facility managers review these reports and explain any identified discrepancies regarding vacant properties, including those identified for disposal. VA officials told us they then correct any errors. Discrepancy reports include checks on whether facility managers have specified a disposal method for each disposal, estimated an associated disposal's cost, and entered a planned future year for the disposal.
- **Refining the database by, for example, adding new "business rules" to limit user errors.** VA officials told us that since 2012 it has implemented program changes and new business rules to the CAI database to address inaccuracies in the data, including data that support disposal information. For example, a VA official in headquarters told us that to decrease the number of errors caused by users entering data more than once, the database now limits the number of times users may enter the same information. This prevents multiple data entries appearing for, for example, the year a building was built, according to VA officials. VA officials in headquarters also told us they developed similar business rules to identify "clearly wrong" data entries and duplicative data. For instance, users cannot enter letters in numeric fields which, they told us, has led to fewer errors.

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## VA Does Not Collect Key Information to Track and Monitor Property Disposals

Although VA has enhanced its data collection efforts for vacant properties, we found that VA does not collect all the information necessary for its headquarters officials to track and monitor the disposal of VA's vacant properties. As part of its annual call for validating data, VA requires facility managers to record certain information about disposals in the CAI, including:

- which buildings are identified for disposal,
- whether a disposal plan is in place,
- when the disposal is to occur,
- what type of disposal method is to be used, and
- what are the costs associated with the disposal.

However, VA does not have the ability in its CAI to collect detailed data on the status of disposal projects—specifically, data fields for facility managers to input detailed information on the status of: (1) disposal actions, (2) due diligence reviews, and (3) approvals, such as environmental permits that are necessary to complete the disposal.<sup>36</sup> Since CAI does not have this information, VA's Asset Enterprise Office, as part of the Secretary's initiative to begin the re-use or disposal process of 430 buildings, developed a standalone spreadsheet to track and monitor the disposal status of these buildings. Then, according to officials in VA's Asset Enterprise Office, they had to ask local facility managers what was the status of each individual disposal.

Federal internal-control standards state that management should use quality information to achieve an entity's objectives and establish and operate monitoring activities to monitor the internal control system and evaluate the results.<sup>37</sup> This includes management obtaining data on a timely basis and using it for effective monitoring, which includes controls

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<sup>36</sup>According to VA's *NEPA Interim Guidance for Projects*, in addition to meeting federal environmental review requirements, VA may also need to obtain environmental compliance permits from local, state, and other pertinent federal agencies, such as from the U.S. Army Corp. Examples of environmental permits include underground storage tanks and storm-water or wastewater discharges.

<sup>37</sup>[GAO-14-704G](#).

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to achieve complete and accurate data. While the Secretary's initiative has raised the priority of tracking and monitoring VA's real property disposals, the CAI does not contain key information to improve VA's routine tracking as called for in internal controls. A key official in VA's Asset Enterprise Office told us that officials there usually leave it to local facilities to track key information and that the CAI currently does not collect this information. Without incorporating information needed to better track and monitor disposals through VA's primary real property tracking database—CAI—VA may not be able to efficiently track and monitor its real property disposals going forward after the Secretary's initiative is completed. VA officials in headquarters told us that without data on the actions and status of disposals, including steps taken to complete environmental and historic reviews, they are unable to track and monitor the progress of disposal projects—including the length of time these reviews take—and to identify any areas where management may assist local facilities in disposing of properties. For instance, as previously mentioned, VA officials in headquarters told us they used the information gathered as part of the 430 re-use or disposal initiative to identify and award contracts to perform environmental and historic reviews and, as a result, more quickly expedited the disposal process.

In addition, VA officials in headquarters do not collect documentation, such as environmental and historical review documents, that could allow headquarters staff to verify the status of disposal projects. As mentioned, federal internal controls state that management should use quality information to achieve an entity's objective, including obtaining data on a timely basis and using these data for effective monitoring, which includes controls to achieve complete and accurate data. Further, VA requires VISNs' and local facilities' managers to record a planned or completed disposal in the CAI, including updating information as changes occur.<sup>38</sup> However, a key official in VA's Asset Enterprise Office told us the CAI database does not currently have enough space for facility managers to upload supporting documentation, including environmental and historic review documents. As part of the Secretary's initiative to begin the re-use or disposal process for 430 buildings, VA's Asset Enterprise Office set up a website to collect and exchange documents, such as environmental and historic review documents from local facility managers. This process allowed VA's Asset Enterprise staff to verify the disposal information of

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<sup>38</sup>Department of Veteran's Affairs, *Fiscal Year 2017 Capital Asset Inventory and Disposal Plans Update*, (August 9, 2017).



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the properties in the spreadsheet using this collected information. While VA created a website to exchange documentation as part of the 430 re-use or disposal initiative, this website is separate from CAI and was created because VA had not previously collected supporting documents in CAI. However, a VA official told us that when they compared information they collected from the website, they found the information in CAI is not always correct and appropriately updated.

As we have previously found, documentation provides a means to retain organizational knowledge while mitigating the risk of having that knowledge limited to a few personnel. Documentation can also ensure that knowledge gets communicated to external parties, such as external auditors.<sup>39</sup> As previously mentioned, some VA staff lack expertise and organizational knowledge to properly document a variety of disposal options. VA also experiences frequent staff turnover. These issues, together with the inability of facilities' managers to upload disposal-related documents directly into CAI, puts VA at risk of losing valuable information about the disposal process. For example, according to a stakeholder we spoke with, VA could not readily provide information about consulting stakeholders on historic properties, as required by historic review requirements. A VA official told us that after contacting facility managers for information about specific disposal projects as part of the 430 initiative, they found disposal procedures were not consistently documented and, in some cases, documents were missing.

VA officials in headquarters provided us with a draft proposal to enhance the CAI in several ways, including:

- to add specific data fields for dates, including completion dates for reviews and
- to increase the capacity of the CAI to allow facility managers to upload disposal documentation, including environmental and historic review documentation.

However, the proposed changes do not include some key information, such as the start dates for compliance reviews, so VA cannot monitor and track when the reviews began and how disposals are progressing. Additionally, a VA official we spoke with could not provide a specific time frame for increasing the capacity of CAI, as VA is currently working on

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<sup>39</sup>[GAO-14-704G](#).

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developing space requirements that are needed to increase capacity and help estimate a time frame.

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## Conclusions

Given that the number of VA's vacant buildings has been generally increasing in the last 6 years and the implementation of the VA Asset and Infrastructure Review Act of 2018 could lead to more unneeded buildings, effectively managing VA's real property disposal is crucial. Otherwise, VA may maintain a large inventory of vacant buildings that may be costly to secure and maintain. While effectively disposing of excess and underutilized property has been a long-standing challenge for VA, the agency has taken some positive actions, such as examining ways to streamline the historic review process, having some documented procedures, and improving data collection efforts on vacant properties. However, without documented procedures for all the disposal options to assist VISNs' and local facilities' managers in planning, implementing, and executing disposals and navigating the complex property-disposal process, VISNs and local facilities—which are responsible for managing their real property—may continue to struggle to facilitate property disposals efficiently. Also, without important information on the status of disposal projects and supporting documents, it is unclear how VA can monitor and track disposals, including identifying any areas where management can assist in the disposal of its vacant properties.

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## Recommendations for Executive Action

We are making the following three recommendations to the VA:

1. The Secretary should develop clear procedures for each of VA's disposal options to help facilities' managers plan, implement, and execute projects to dispose of vacant and unneeded properties. (Recommendation 1)
2. As VA implements its plans to enhance the CAI to collect key data on disposal projects, the Secretary should collect data on disposal status information and time frames (e.g., environmental and historical reviews' starting dates) to ensure VA has the information it needs to track the length of the disposal process and identify any areas where management may assist local facilities in implementing property disposals. (Recommendation 2)

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3. As VA pursues its plans to enhance the CAI, the Secretary should increase the capacity of the CAI to allow local facilities to upload disposal-specific documentation, such as environmental- and historical-review documents, to ensure all documentation related to a property's disposal is available to appropriate parties, including VA officials. (Recommendation 3)

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## Agency Comments

We provided a draft of this report to VA for review and comment. In written comments, reproduced in appendix II, VA concurred with our recommendations and stated that it has begun or is planning to take actions to address them. VA also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Veteran's Administration, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions regarding this report, please contact Andrew Von Ah at (202) 512-2834 or [vonaha@gao.gov](mailto:vonaha@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read 'Andrew Von Ah', with a stylized, flowing script.

Andrew Von Ah  
Director, Physical Infrastructure Issues

## Appendix I: Objective, Scope, and Methodology

This report examines the U.S. Department of Veterans Affairs' (VA) efforts to dispose of properties, including the management of its real property disposals. Specifically, we address: (1) the challenges VA faces disposing of its vacant property and how it is addressing those challenges and (2) the extent to which VA is tracking and monitoring the disposal of its properties.

To address these objectives, we reviewed relevant laws, regulations, policies, handbooks, and other documents related to VA's real property management, including VA's Handbook and *Directive on Managing Underutilized Real Property Assets, including Options for Reuse and Disposal*<sup>1</sup> and VA's *Capital Asset Inventory User Guide*<sup>2</sup> as well as VA's annual budget submissions to Congress to fully understand VA's disposal process. To examine the full scope and extent of VA's vacant and disposed of properties, we obtained and analyzed data from VA's Capital Asset Inventory for fiscal years 2012 through 2017 and assessed their reliability. To assess the reliability of VA's data we: (1) looked for any missing data, outliers, or other obvious data errors; (2) reviewed existing documentation about the data and the system that produced them; (3) reviewed VA's processes for checking and validating the data; and (4) interviewed officials knowledgeable about the data. We found the data to be reliable for our purposes of identifying the number and type of vacant and disposed of buildings and the characteristics of those buildings.

To identify challenges that VA faces when disposing of property and how VA is addressing them, we selected a non-generalizable sample of 31 properties using data from VA's Capital Asset Inventory as mentioned above. The 31 properties we selected were either completed in fiscal year 2017 or planning was under way for disposal, including through the

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<sup>1</sup>Department of Veterans Affairs, *VA Handbook 7633: Managing Underutilized Real Property Assets, Including Options for Reuse and Disposal*, (January 11, 2018).

<sup>2</sup>Department of Veterans Affairs, *Capital Asset Inventory User Guide*, (June 1, 2016).

General Services Administration (GSA).<sup>3</sup> Specifically, we selected properties that:

- captured a range of disposal methods available to VA using VA's current process for disposal,
- included both recently planned and completed disposals to observe disposals in different phases of planning and were likely documented by current VA staff, and
- represented a variety of building and disposal characteristics, including associated disposal costs, historic status, age, and size.<sup>4</sup>

The challenges faced by these selected properties cannot be used to make inferences about all VA properties. However, they illustrate the range of challenges that VA faces in disposing of properties.

In addition, to help identify disposal challenges VA faces, including those challenges that were identified as a lengthy time frame for disposal, we obtained and reviewed documents related to the 31 selected properties, including environmental review reports and historic review documents. We used environmental and historic review documents to help estimate the timespan for disposals, including time frames to conduct these reviews. We also conducted semi-structured interviews with VA officials and external stakeholders, who were involved or knowledgeable about the disposal of these selected properties and are familiar with VA's disposal process. These included interviews with facility managers from VA's Veterans Integrated Service Networks (VISN) and local facilities who

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<sup>3</sup>The selected properties included 14 completed disposals in fiscal year 2017, 13 properties planned to be reported "excess" through GSA in fiscal year 2017, and 4 properties planned in fiscal year 2017 for demolition.

<sup>4</sup>We limited the disposals to those buildings with more than 5,000 gross square feet to reflect disposals that may face significant challenges and excluded any disposals outside the scope of our review (e.g. leased or personal property).

were knowledgeable about the disposal of the 31 selected properties.<sup>5</sup> This group represented 7 of VA's 18 VISNs and 10 local medical facilities, including two local medical facilities—Perry Point (MD) and Sepulveda (CA)—with planned disposal projects—we visited. We also interviewed external stakeholders who included officials from the GSA; veterans service organizations (e.g., Veterans of Foreign Wars and the American Legion); a local community that purchased VA properties, a major commercial real estate company; and historic preservation groups (e.g., Advisory Council on Historic Preservation and the National Conference of State Historic Preservation Officers) as well as selected State Historic Preservation Officers to obtain their perspectives on VA's disposal challenges.<sup>6</sup> To identify common challenges, along with illustrative examples and lengthy time frames, we reviewed and analyzed documents from the 31 properties we selected as well as interviews with VA officials and external stakeholders. This analysis included one analyst reading through all of the documents and interviews, creating a list of challenges mentioned, and then a subsequent analyst verifying this list. To identify steps VA has taken to address challenges, we reviewed documents and interviewed officials from VA's Office of Asset Enterprise Management and its Office of Construction & Facilities Management as well as Veterans Health Administration's Office of Capital Asset Management and Engineering Support. We then assessed VA's efforts to address these challenges against applicable federal internal control standards.<sup>7</sup>

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<sup>5</sup>VA organizes its system of care into regional networks called Veteran Integrated Service Networks (VISN). Each VISN is responsible for managing and overseeing VA medical centers within a defined geographic area. At the VISN level, we interviewed staff at VISN 4 (Pennsylvania), VISN 5 (Maryland), VISN 10 (Ohio), VISN 15 (Missouri), VISN 16 (Louisiana and Mississippi), VISN 23 (Iowa), and VISN 22 (California). The local medical facility staff we interviewed and disposal method used as part of our selected properties (in parentheses) included: Biloxi VA Medical Center (Demolition), Iowa City VA Health Care System (Demolition), Dayton VA Medical Center (Demolition), VA St. Louis Health Care System (Demolition), Cincinnati VA Medical Center (Negotiated Sale), Cleveland VA Medical Center (Demolition), New Orleans Medical Center (Transfer), Pittsburgh VA Medical Center (Planned excess to GSA), Perry Point VA Medical Center (Planned disposal), and VA Sepulveda Medical Center (Planned disposal).

<sup>6</sup>We selected the local community and major real estate company stakeholders to interview based on conversations with VA officials and others. These stakeholders were identified as having extensive experience working with VA as part of our 31 selected properties or as part of the disposal process more generally.

<sup>7</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September, 2014).

To determine the extent to which VA is tracking and monitoring the disposal of its vacant properties, we reviewed the current data fields in VA's Capital Asset Inventory, as well as VA's planning and guidance documents, including the *Fiscal Year 2017 Capital Asset Inventory and Disposal Plans Updates (Annual Call Memo)*. In addition, we interviewed VA officials in headquarters, including VA's Office of Asset Enterprise Management and the Office of Construction and Facilities Management to determine the extent to which VA is tracking and monitoring the disposal of its vacant properties. We obtained and reviewed a copy of VA's data discrepancy report for fiscal year 2016 that VA uses to verify data and track and monitor vacant properties and disposals. We also reviewed VA's planning documents, including a tracking spreadsheet that VA is using to monitor the disposal of vacant properties. In addition, we interviewed VA officials, including facility managers from VISNs and local facilities, to obtain their perspective on VA's efforts to track and monitor disposals, specifically. Subsequently, we assessed VA's plan to track and monitor these properties against applicable federal internal controls.<sup>8</sup>

We conducted our work from November 2017 to December 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>8</sup> [GAO-14-704G](#)



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# Appendix II Comments from the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

December 14, 2018

Mr. Andrew Von Ah  
Director  
Physical Infrastructure Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Von Ah:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office (GAO) draft report: ***"VA REAL PROPERTY: Clear Procedures and Improved Data Collection Could Facilitate Property Disposals"*** (GAO-19-148).

The enclosure provides technical comments and sets forth the actions to be taken to address the draft report recommendations.

VA appreciates the opportunity to comment on your draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Wilkie".

Robert L. Wilkie

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to  
Government Accountability Office (GAO) Draft Report  
***“VA REAL PROPERTY: Clear Procedures and Improved Data  
Collection Could Facilitate Property Disposals”***  
(GAO-19-148)

**Recommendation 1:** The Secretary should develop clear procedures for each of VA’s disposal options to help facility managers plan, implement, and execute projects to dispose of vacant and unneeded properties.

**VA Comment:** Concur. VA will develop clear procedures for each of VA’s disposal options to help stakeholders plan, implement, and execute disposal projects. VA will include in its procedures a decision tree and process documentation that will include milestones and estimated completion timeframes. This documentation will be for the facility managers and for the real property disposal project managers to follow. Target Completion Date: September 1, 2019.

**Recommendation 2:** As VA implements its plans to enhance the CAI to collect key data on disposal projects, the Secretary should collect data on disposal status information and time frames (e.g., environmental and historical review start) to ensure VA has the information it needs to track the length of the disposal process and identify any areas where management may assist local facilities in implementing property disposals.

**VA Comment:** Concur. VA strives to develop tools to ensure reported data is available for monitoring individual disposal projects and improving the disposal process as a whole. VA has already begun the process of enhancing the Capital Asset Inventory (CAI) to gather more information pertaining to disposal project timelines and statutory compliance. VA will further enhance CAI to include both start and completion dates related to key statutory compliance actions. While some of the statutory compliance processes do not have definitive start dates and may take long periods of time to complete compliance actions, VA will provide both completion dates and evidence of statutory compliance with CAI as part of an upcoming enhancement.

VA will also develop web-based training for local facilities concerning the aspects of the real property disposal process which will enhance data quality and improve VA’s statutory compliance in the area of disposal actions. Target Completion Date: July 1, 2019.

**Recommendation 3:** As VA pursues its plans to enhance the CAI, the Secretary should increase the capacity of the CAI to allow local facilities to upload disposal-specific documentation, such as environmental and historical review documents, to ensure all documentation related to a property’s disposal is available to appropriate parties, including VA officials.

**VA Comment:** Concur. VA continues to enhance CAI to ensure disposal documentation is available to all relevant parties. VA has started enhancing CAI to

Enclosure

Department of Veterans Affairs (VA) Comments to  
Government Accountability Office (GAO) Draft Report  
***“VA REAL PROPERTY: Clear Procedures and Improved Data  
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gather more information pertaining to disposals. The upcoming enhancement includes upgrading the database capacity to allow collection of disposal documentation, such as evidence of environmental and historical review compliance. This enhancement will not only provide more transparency to the disposal process for all parties but will also help safeguard organizational knowledge. Target Completion Date: July 1, 2019.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## Contact

Andrew Von Ah, Director, Physical Infrastructure, (202) 512-2834 or  
[vonaha@gao.gov](mailto:vonaha@gao.gov)

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## Staff Acknowledgments

In addition to the individual named above, Kyle Browning; Cathy Colwell (Assistant Director); Gina Hoover; Jennifer Kim (Analyst in Charge); Brian Lepore; Jeff Mayhew; Nitin Rao; Malika Rice; Minette Richardson; Todd Schartung; Michelle Weathers; and Crystal Wesco made key contributions to this report.

# Appendix IV: Accessible Data

## Data Tables

**Accessible Data for Figure 1: Number and Percentage of Vacant Department of Veterans Affairs' (VA) Buildings, Fiscal Years 2012 through 2017**

Fiscal year	Vacant buildings by count	Vacant as percentage of total buildings (calculated)
2012	228	3.87 %
2013	242	4.01%
2014	334	5.48%
2015	370	5.92%
2016	430	6.84%
2017	406	6.45%

**Accessible Data for Figure 4: Extent to Which the Department of Veterans Affairs (VA) Used Various Disposal Methods from Fiscal Years 2012 through 2017**

Transfer - State nursing home care	Mothball	Federal/State Transfer	Negotiated sale of property	Enhanced Use Lease	Demolition <sup>a</sup>
1 (0.17%)	11 (1.91%)	13 (2.25%)	25 (4.33%)	181 (31.37%)	346 (59.97%)

**Accessible Data for Figure 5: Number of Buildings the Department of Veterans Affairs (VA) Disposed of from Fiscal Years 2012 through 2017**

Fiscal year	Disposed of Buildings
2012	203
2013	47
2014	51
2015	54
2016	55
2017	61

**Accessible Data for Figure 6: Number and Percentage of Department of Veterans Affairs' (VA) Building Disposals with Historic Status from Fiscal Years 2012 through 2017**

Not evaluated for historic status	No historic status	Historic status
7.01% (33)	50.11% (236)	42.89% (202)

**Agency Comment Letter**

**Accessible Text for Appendix II Comments from the Department of Veterans Affairs**

Page 1

December 14, 2018

Mr. Andrew Von Ah Director

Physical Infrastructure Issues

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

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Robert L. Wilkie

Enclosure

Page 2

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Page 3

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